

# Let's Talk...

## Let's Talk ... About Traditional vs. Roth 401(k) Contributions

As you plan for retirement, one of the key decisions you'll face is choosing Traditional or Roth 401(k) contributions. Understanding the differences can help you make the right choice.

### Traditional vs. Roth 401(k) Contributions: What's the Difference?

The Halliburton Retirement Savings Plan offers both Traditional pre-tax contributions and Roth after-tax contributions. You can contribute between 1% and 50% of your eligible pay to your plan account, up to annual IRS limits.

- **Traditional 401(k) Pre-Tax Contributions:** Contributions are made based on earnings before taxes are applied. They are calculated using a larger base amount and reduce the amount of taxes you owe in the current year. You won't owe taxes on the amount contributed or any accumulated investment earnings until you withdraw the money in retirement.
- **Roth 401(k) After-Tax Contributions:** You pay taxes up front, and contributions are based on your net-of-tax earnings. Since you pay taxes in the year you contribute, that money and any investment earnings can be withdrawn tax-free in retirement, provided you are at least 59½ years old (or the withdrawal follows death or total disability), and at least five years must have passed since your first Roth contribution.

### Need Help Deciding?

Fidelity's Roth 401(k) Modeler tool can help you choose between Traditional and Roth contributions. Simply enter your annual salary, contribution percentage and years until retirement to model different pre-tax and Roth contributions.

### Factors to Consider

- **Can You Afford Roth Contributions?** If your budget is tight, you might prefer to delay paying taxes. Traditional contributions defer taxes until retirement, while Roth contributions require paying taxes up front, reducing your take-home pay.
- **What Kind of Retirement Expenses Do You Expect?** If you expect to spend more in retirement, a Roth 401(k) may be beneficial since you won't owe taxes on withdrawals. Conversely, if you plan to save more and spend less, a Traditional 401(k) allows you to defer taxes until retirement.

- **Current Income vs. Future Tax Rate:** If you're a higher earner now, you might lean towards Traditional 401(k) contributions for immediate tax deductions. If you expect to be in a higher tax bracket in retirement, Roth contributions could be advantageous – as you give up the deduction today but receive tax-free withdrawals later. However, if you think your tax rate may decline, Traditional contributions might be the better choice.
- **How Long Until Retirement?** The more time you have until retirement, the more you can benefit from the tax-free growth of a Roth account. With Roth contributions, you pay taxes now, but any future growth is tax-free upon withdrawal. Over the years, this potential growth can outweigh the initial tax payment.

For more insights, see [T. Rowe Price's recommendations](#) on choosing the best account for your situation. Consult a tax advisor to receive personalized guidance and make informed decisions.

To determine the right personal retirement savings strategy, schedule a complimentary one-on-one session with a Fidelity Workplace Planning Consultant. Call [\(800\) 603-4015](#) or [make an appointment here](#).

## Sources:

[Empower: Should You Choose Roth or Traditional 401\(k\) Contributions?](#)

[Fidelity: Traditional or Roth Account? 2 Tips to Help You Choose](#)

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